

Message Text

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APPROVED BY EUR/ IB - ELLWOOD RABENOLD

COMMERCE - MR. KATZ (BY PHONE)

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P 162151 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY MADRID PRIORITY

C O N F I D E N T I A L STATE 093740

E. O. 11652: GDS

TAGS: OVIP, ETRD, SP

SUBJECT: LOPEZ RODO MEETING WITH SECRETARY OF COMMERCE

1. SPANISH DEVELOPMENT PLAN MINISTER LOPEZ RODO CALLED ON COMMERCE SECRETARY DENT AT 4:00 PM MAY 14. MINISTER' S PARTY FROM MADRID WAS ACCOMPANIEDBY AMB. SAGAZ AND EMBASSY COMMERCIAL COUNSELLOR SIERRA. ALSO PRESENT ON US SIDE WERE DEPUTY ASSISTANT SECRETARY OF COMMERCE FOX AND OTHERS.

2. DISCUSSION CENTERED AROUND POINTS CONTAINED IN AIDE MEMOIRE WHICH LOPEZ RODO HANDED TO SECRETARY DENT EARLY IN MEETING AND WHICH HAS BEEN POUCHED TO MADRID (OLIVER). AIDE MEMOIRE IS LARGELY RESUME OF POINTS WHICH GOS HAS BEEN MAKING FOR QUITE SOME TIME ON BILATERAL ASPECTS OF MERCHANDISE TRADE, US TRADE BILL, SPANISH DECISION ON PESETA- GOLD PARITY, SHOES, US ASSURANCES ON PRIOR CONSULTA- TION, LTA IN COTTON TEXTILES AND MERCURY DISPOSAL PROGRAM. AIDE MEMOIRE WAS ALSO HANDED TO TREASURY SECRETARY SHULTZ AND TO PRESIDENTIAL ASSISTANT FLANIGAN IN THEIR MEETINGS
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EARLIER IN DAY WITH MINISTER WHO, ACCORDING SPANISH EMBASSY SOURCE, DRAFTED MOST OF PAPER HIMSELF.

3. LOPEZ RODO EMPHASIZED SPAIN'S UNFAVORABLE BILATERAL TRADE BALANCE AND POSITION SPANISH SHOE INDUSTRY. HE NOTED SPANISH EXPORTS TO US CONSTITUTE TINY FRACTION (ONE PER CENT) OF TOTAL US IMPORTS BUT WERE MOST IMPORTANT TO SPAIN ECONOMICALLY, POLITICALLY AND SOCIALLY, AND CITED AUTHORITY CONTAINED IN DRAFT US TRADE BILL (SAFEGUARD CLAUSE) AS OF GREAT CONCERN TO GOS. ALSO MENTIONED "GENTLEMAN'S AGREEMENT" OF FEBRUARY 1973 ON PRIOR CONSULTATION. LOPEZ RODO NOTED UNITED STATES, WHEN APPLYING ANY RESTRICTIONS TO IMPORTS, SHOULD DIFFERENTIATE BETWEEN IMPORTS FROM COUNTRIES LIKE SPAIN WHICH HAD NOT FOLLOWED DOLLAR DOWN IN FEBRUARY AND OTHERS LIKE ITALY AND PORTUGAL. ALSO MENTIONED THAT CURRENT NEGOTIATIONS IN BRUSSELS WOULD INCLUDE PROVISION FOR A FREE TRADE ZONE IN NEW PREFERENTIAL AGREEMENT WITH EC, IN ACCORDANCE WITH GATT RULES. MINISTER ADDED THAT US ADVICE HAD ALWAYS BEEN THAT SPAIN JOIN EC. LOPEZ RODO THEN SERVED NOTICE THAT GOS WAS REQUESTING INCREASE IN BILATERAL COTTON TEXTILE AGREEMENT QUOTA. ON MERCURY DISPOSAL HE REFERRED TO SPANISH NOTE OF MAY 3 AND POTENTIAL MARKET DISRUPTION PROBLEMS.

4. SECRETARY DENT RESPONDED THAT UNITED STATES MUST ANALYZE AND DEAL WITH ITS TRADE PROBLEMS ON GLOBAL BASIS. OUR TRADE BILL WILL CONTAIN AUTHORITIES FOR PRESIDENT TO PLACE RESTRICTIONS ON IMPORTS, BUT OUR TRADING PARTNERS ALREADY HAVE SUCH AUTHORITIES. WE SEE HIGH IMPORT DEMAND CONTINUING IN THIS COUNTRY, AND THE PRESIDENT'S DESIRE IS CLEARLY TO EXPAND TRADE, NOT CONTRACT IT. THE SECRETARY NOTED THAT SPAIN WAS CONCERNED ONLY WITH A THREAT, NOT WITH AN ACTUAL SITUATION, ADDING THAT WE WOULD BE ABLE TO USE THE AUTHORITY IN THE TRADE BILL ONLY FOLLOWING SPECIFIC CERTIFICATION OF DAMAGE BY THE TARIFF COMMISSION. HE REASSURED THE SPANISH THAT THERE IS NO REASON TO WORRY AT PRESENT ON CONSULTATION ISSUE. ON EC PREFERENCES ISSUE, SECRETARY INDICATED THAT 1970 SPAIN-EC AGREEMENT DID NOT MEET TERMS GATT.

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RESPONDING TO BILATERAL COTTON TEXTILE AGREEMENT QUOTA REQUEST, HE REFERRED TO BROAD TEXTILE NEGOTIATIONS TAKING PLACE GENEVA AND SAID WE WOULD PASS SPANISH REQUEST TO OUR EXPERTS. HE CLOSED BY STATING THAT OUR MERCURY DISPOSAL PROGRAM, ORDERED BY PRESIDENT HIMSELF, WOULD NOT BE ALLOWED CREATE CHAOS IN INTERNATIONAL MARKETS.

5. MR. FOX ADDED FOOTNOTE THAT SPANISH ECONOMY WAS
STRONG AND INTERNATIONAL RESERVES HIGH. HE NOTED
THAT, IN DISCUSSING BILATERAL ASPECTS OF TRADE, IT MADE
MORE SENSE TALK ABOUT BALANCE ON CURRENT ACCOUNT
(INCLUDING TOURISM) RATHER THAN MERCHANDISE TRADE
BALANC
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